ANNUAL REPORT
1990 - 1991

92-00921/

MISSION STATEMENT

To ensure that financial services are available to promote a competitive agriculture and food industry in Alberta.

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LETTER OF TRANSMITTAL

The Honourable Ernie Isley
Minister of Agriculture

Minister:

On behalf of the Board of Directors, we are pleased to submit the eighteenth annual report of the Alberta Agricultural Development Corporation.

As required by Section 9 of the Agricultural Development Act, (R.S.A. 1980, c. A-7) the report contains a summary of the business affairs of the corporation, a statement of income and deficit, a statement of changes in financial position and a balance sheet.

Yours truly,

Harold Thornton
Chairman of the Board of
Directors

Bob Splane
President and
Managing Director

September 15, 1991

Heritage Fund

MINISTER'S MESSAGE

ADC is a corporation with a mandate to help finance the progress of agriculture. It provides agrifinancial service to Alberta farmers and agribusinesses. In recent years, we have endeavoured to adjust its programs and policies to make them innovative and forward thinking.

ADC has moved from being a "lender of last resort" for beginning farmers, as it was in the 1970's, to an agency offering diverse financial services to primary producers and processors of agricultural products, both directly and indirectly through private sector financial institutions.

As the environment in which ADC works grows more complex, so too must its level of service to its clients. Agricultural finance is dominated by pressures that have global origins. Subsidy wars that have nothing to do with supply and demand dominate the pricing regime of our clients.

One of Alberta's answers is to help our primary and secondary producers diversify, and ADC is integral to that goal. Its Commercial Financial Services division offers sound business management advice as well as financial services to businesses related to agriculture and food production. ADC shares the goal of seeing our grain, cattle and other "raw products" move into our own secondary "value-added" industry.

ADC emphasizes client service to address the complex managerial decisions facing agriculture today. I am confident that this contribution will continue to grow in scope and importance as we search for better ways to serve agriculture during a tough, competitive time.

Ernie Isley

Ernie Isley
Minister of Agriculture

CHAIRMAN'S REPORT

Business today demands strong leadership from its Boards. All corporations, be they public or private sector, measure their success by how well they meet the expectations set out for them by the shareholder, the taxpayer and society.

The expectations set out for ADC by this Board have been many. Three years ago, the Board and senior management were charged with the responsibility of making the corporation more flexible, more efficient, more service-oriented, and closer to its clients.

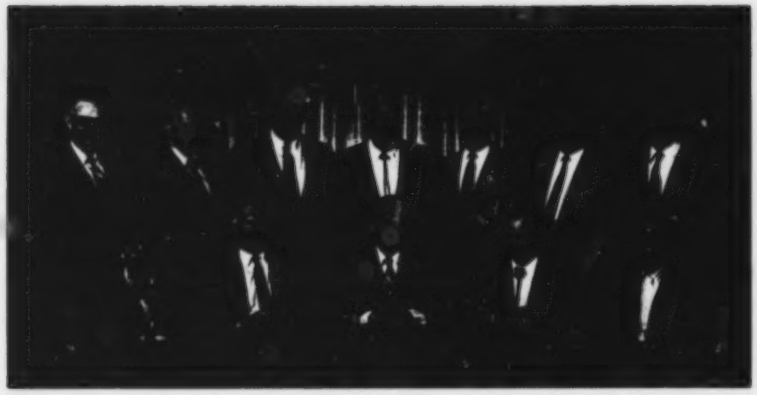
In the report to follow, readers will see why I believe that ADC has succeeded in fulfilling that task. It will explain the corporation's progress toward its five directional goals, which the Board and management have crafted and refined over the last three years.

In many ways, this past year has been one of refining—refining our vision for agricultural credit in Alberta in light of the many complex changes and policy decisions made federally and provincially, and refining our mission statement to more precisely state our business mandate. That new mission statement can be seen inside the front cover of this report.

In 1990, the Board participated in two regional tours, featuring public meetings that examined a wide range of ideas and issues. We find this exchange of information to be invaluable.

This past year saw the retirement of Board member Jacques Dargis in January, 1991. He brought level-headed thinking and strong commitment to agricultural development to our deliberations. We will miss him.

Harold Thornton
Chairman



1990/91 BOARD OF DIRECTORS

Back Row L to R:

Clarence Goldsmith; John Richter (retired 1989); Claude Bishop; Claude Leeks; Bill Fedeyko; Mel Cameron; Jacques Dargis;

Front Row L-R

Claire Carefoot; Bob Splane; Harold Thornton, Chairman; Brian Heidecker; Judy Pimm

BOARD COMMITTEE MEMBERSHIP

Executive Committee
Thornton*
Cameron
Carefoot
Leeks
Pimm
Splane

Credit Committee
Leeks*
Bishop
Goldsmith
Heidecker
Splane
Thornton

Appeals Committee
Cameron*
Bishop
Carefoot
Dargis
Fedeyko
Goldsmith
Heidecker
Leeks
Pimm
Thornton

Human Resources Committee
Carefoot*
Dargis
Fedeyko
Heidecker
Splane
Thornton

Audit Committee
Pimm*
Bishop
Cameron
Dargis
Fedeyko
Goldsmith

* denotes Committee Chair

1990/91 EXECUTIVE MANAGEMENT

L to R:

Harold Brown, VP, Planning and Communications; Dave Schurman, VP, Administration; Bob Splane, President and Managing Director; Andrew Church, VP, Operations; John Bohach, Mgr., Internal Audit

REPORT FROM THE PRESIDENT

Defining Progress

How does a corporation define progress? One answer is to compare operational results with goals set, just as our clients do, just as all businesses should. But in the world of agricultural finance, setting goals and striving toward their completion can be like firing at a moving target. The ripple effect of decisions and policies at the national and global level means that the best business plans are the ones poised for frequent change.

In spite of these uncertainties in the marketplace, we made real headway on our operational goals, while continuing to refine a meaningful, long range strategic plan that will serve our clients and our shareholders.

The Long View

Keeping operational goals in tune with an unpredictable industry demands that ADC maintain a broad perspective on the world of finance and agriculture. Agricultural trade is in one sense becoming more polarized: individual economies have been absorbed into large trading blocks for economic strength. For agriculture in Canada, this has meant some good news, such as the free trade agreement with the U. S.

The implications of key forces like the outcome of the GATT negotiations are vital to anyone in our business. Although the Uruguay round of GATT negotiations has been disappointing so far, there are new signals that all members recognize the need to end the subsidy wars that have pitted treasury against treasury in an effort to keep national agriculture economies stable.

Successful organizations will be able to capitalize on these new directions and shape policy around them. International decisions mean change—for producers, processors, financial institutions and government. A good example is the oilseeds industry. It will be one of the first to reap the rewards of a loosening of offshore trade restrictions, and it will demand new attention to marketing and product development. The entire industry faces restructuring, as processors look for productivity gains through plant upgrading and mergers. Financial institutions must be able to gauge the demand for capital and financial services to serve the industry properly.

The successful challenge of the countervailing duty the U.S. had imposed on pork products is another decision with widespread effect. The economic implications for the industry are significant, with incentive to slaughter hogs here in Canada and export the meat. Money returned to producers as a result of that decision directly affects the credit needs and agribusiness outlook of that industry. Our job at ADC is to make sure we anticipate the effects of decisions like these with products and services for our clients available immediately.

ADC client Ron Prins has combined production and business skills to help create Pik 'N Pak Produce, which produces and sells cucumbers and tomatoes commercially throughout Alberta and parts of B.C. Ron is part of a three-way team that includes Paul Prins and Joe Doef.

Keeping this "macro" outlook allowed us in a small way to help shape public policy. As active participants in the federal review of agriculture policy, we have worked diligently with the working committee on farm finance and management expressing Alberta's position on a national farm financing program.

Reaching Operational Goals

Strategic planning based on thorough knowledge of the industries we serve will shape tomorrow, but our day-to-day tactical plans are what mean the most to our clients today. Operationally, 1990 was year three of our five-year business plan, a good point at which to measure progress.

The five directions that dominate our management plan allow ADC to offer the kind of products and services Alberta farmers and entrepreneurs deserve. They are:

- ***value added client service***
- ***strong partnership with the private sector***
- ***fiscal responsibility***
- ***public awareness of agrifinance***
- ***sensitivity to environmental issues***

Drought-plaugued southeastern Alberta received extensive provincial aid delivered by ADC in 1990 and 1991.

In northern Alberta, the problems were just the opposite. Repeated heavy rainfall devastated crops in both 1989 and 1990.

VALUE ADDED CLIENT SERVICE

"Value-added" has become another buzzword. What does it really mean? To us, it means helping our clients look for business solutions for all aspects of their operation, from record-keeping and income forecasting to computer software. Today's farmer must embrace new technology and sophisticated analysis of their production, financial, marketing and labor decisions. ADC offers in-depth farm financial advice to clients, and refers them to specialists and other sources of help as needed.

Our PROFIT project has helped 120 volunteer producers report and interpret financial details of their operations, allowing them to analyze their own financial planning and compare their results with others'. It provides ADC with comparative data, useful for our own program analysis.

Farmers in Difficulty

An important part of our job involves working with farmers in difficult financial straits. Our approach is to keep farmers operating, as long as the operation has the potential to be viable. Most operations succeed. Since we began lending, nearly 94 per cent of our accounts are still active or have been paid off in full.

Value-added service also means responding to needs beyond the ordinary. Nowhere is this more obvious than in our response to a series of disasters that manifested themselves in 1990-91. Working closely with Alberta Public Safety Services, the Department of Agriculture and Alberta Hail and Crop Insurance, ADC helped to ease the financial burden of thousands of farmers in three declared "disaster areas" who had suffered either too much rain or far too little.

Northwestern and Western Alberta Disaster Assistance

Torrential rainfalls in the Peace River and surrounding areas in 1989 resulted in the Northwestern program of guarantees and deferred-interest loans. By year end, the corporation had approved 189 loans for $5.2 million. Heavy rainfall in the spring and summer of 1990 in western Alberta led to the Western program, which required 177 loans for $6.3 million by year end.

Southeastern Alberta Disaster Assistance

This program was the most extensive undertaking for ADC this year. It was created to respond to the widespread, long-term drought suffered in parts of southeastern Alberta. Below average rainfall and poor runoff conditions recurred from season to season in the 1980s. The cumulative effect decimated crops and ruined the income potential of thousands of Alberta farmers.

The products, delivered by ADC on behalf of the provincial government, offered two options to qualifying farmers: 9 per cent loans, interest-free for the

first two or five years, or an interest benefit option (IBO) equal to the interest-free portion of qualifying loans that farmers already had on their books.

The program began in December, 1990, and by fiscal year end, 239 loans or IBOs had been approved, totalling $15 million. By the time the program ends, June 30, 1991, the corporation expects to process some 3900 loans or IBOs valued at $360 million. The scope of the project can be gauged by comparing the 3900 transactions from this program alone with the usual yearly workload of 1000 new loans to beginning and developing farmers.

Service to Young Farmers

Good service in day-to-day work is just as important. It means being judicious about lending, but flexible and sensible about what our clients really need. 1989 improvements to the beginning farmer program (BFP) were designed to give farmers the best chance of success possible, through a wide range of financing options.

The new BFP focuses on cash flow and the productive value of land. It allows clients to start smaller, develop their equity levels, and expand over a longer time period. It changed asset, net worth and land ownership requirements, all of which had become inappropriate. These, and other changes, helped to make Alberta the most encouraging place in Canada to start farming.

Farming in Alberta is more than grain and livestock. Here, Anita Portelli of Emery's Honey House prepares to haul honey supers in for extraction.

PARTNERSHIP WITH THE PRIVATE SECTOR

ADC introduced its Vendor Mortgage Plan (VMP) in June, 1990. This progressive product links individual private sector investment with good farm business management: the seller carries the mortgage for the purchaser, who can take advantage of ADC's preferred interest rates. ADC guarantees a major portion of the loan and provides a premium return to the seller on his investment. Many of these transactions are between parents and children, making the VMP an effective tool in estate planning and financial management.

This innovative plan is good for our farm economy, because it enables retiring farmers to easily—and profitably—invest in Alberta agriculture, instead of more traditional retirement vehicles. It keeps capital investment in agriculture, and it keeps farm families on the land. Government and taxpayer costs are reduced, because the investment comes from private hands.

Results are promising: in the fiscal year, 19 loans for $1.4 million were approved. No other vendor mortgage plan in Canada has achieved this kind of success.

ADC and Other Lenders

As the corporation's lending volume and workload grows, we look to options that strengthen our relationship with commercial lenders. The concept of sharing delivery of our lending programs with private sector lenders is not new. In 1990-91, ADC continued to explore the idea, so that clients in future years will continue to receive comprehensive financial services in the most effective way possible.

Our Alberta Farm Development Loan (AFDL) program, which guarantees loans made by commercial lenders, is just one important link with the private sector. ADC and commercial lenders worked together to improve the service this year, making it more accessible to clients.

ADC began to explore loan syndication, which is a unique, and at times, complicated way to spread credit risk among several lenders. Our effort was rewarded in the case of Lakeside Food Industries, enabling the company to receive funding for a large expansion to their slaughtering plant. The syndication was an excellent example of government and private sector working together to help keep Alberta on the map in secondary beef processing.

Aquariums are an excellent example of secondary food processing in Alberta

FISCAL RESPONSIBILITY

Belt tightening is a fact of life everywhere. For ADC, the challenge has been to focus on key operational goals: reducing our property portfolio, arrears and loan application time, while continuing to streamline and "flatten" the organization.

Our efforts are paying off: ADC was able to dramatically reduce the contribution it receives from the province, from $94.3 million in 1990 to $77.7 million in 1991. Much of the reduction is due to a decrease in the provisions for doubtful accounts and losses on property sales. By making better quality loans and keeping a firm grip on arrears situations, this trend should continue.

Reducing the amount of land the corporation carries is an important financial objective. Interest, legal and administrative costs of land are more controllable than other expenses, but the corporation must be prudent in its land disposition so that land values are maintained. This past year, land carrying costs dropped 42 per cent, from $7 million to $4 million. Actual quarters held at year end were 273, down significantly from 462 the previous year.

Arrears greater than one year, which is a closely-followed measurement of the management of our portfolio, dropped to 5 per cent of the direct farm lending portfolio, down from 6.3 per cent last year. This is the third straight year of significant decline.

Field Decisions

ADC's decision-making has become more efficient: local field staff make more lending decisions—approximately 95% of the total—improving service to farmers and reducing costs to the organization.

Staffing

Our plan to decentralize to the field is working. Since it began, in 1988, head office positions have been reduced by 24, and field positions have increased by 11. In 1990-91, ADC employed 186 positions, down from 1989-90 figure of 193. These numbers do not include temporary or contract employees hired to help handle the Disaster Assistance programs.

We believe that decision making and responsibility should occur as close to the customer as possible: the management-to-staff ratio at ADC is 1:9, which compares favourably to other jurisdictions' of 1:6 or 1:7.

ADC was removed from the auspices of the Public Service Act in 1991. This move preserved the benefits offered by the Government of Alberta, but enabled the corporation to tailor-make its job descriptions and conduct other specific business for its staff, such as payroll and recruitment.

PUBLIC AWARENESS OF AGRIFINANCE

With a mandate to help strengthen the agriculture and food industry, ADC recognizes the importance of public understanding of agricultural credit issues and services. Our first goal is to ensure that clients and the general public are knowledgeable about ADC and what we have to offer.

ADC has set five-year communication goals that begin with renewed communication with clients and potential clients. Field staff made use of new displays by visiting some 20 trade fairs and conferences, an excellent forum to meet and discuss credit and money management issues. Senior staff led informational seminars within the industry. The Board conducted two regional tours, complete with public meetings which covered topics ranging from ADC policies to the future of the family farm. Printed material was updated.

Each year, to recognize the importance of young people staying involved with agriculture, ADC supports local 4-H, and awards college scholarships to post-secondary students. The 1990 winner was Christine Ehrichsen of Stettler, a student at Camrose Lutheran University College.

SENSITIVITY TO ENVIRONMENTAL ISSUES

Good farm managers always have the future in mind, and ADC supports sound conservation tactics with programs like our Range and Soil Improvement incentive. That program offers incentives on loan guarantees for eligible activities, such as fencing, plowing, water management, seeding pasture and other purposes.

ADC has contributed a quarter section of land to the County of Camrose for conservation and soil management research it conducts with a number of other organizations in the area. Project results help all Alberta farmers.

The head office at Camrose was awarded first prize during the 1991 Energy Efficient Community Challenge sponsored by the Camrose International Institute. Our efforts at recycling include using recycled cleaning supplies, paper towels, garbage bags, stationery, forms, business cards—anything that can feasibly be reused.

Bison ranching is one alternative to traditional production in Alberta. More and more farmers are contemplating new ways to diversify their businesses to stay ahead. This operation belongs to ADC clients Jean and Clay Curry.

A tour of a quarter section of land contributed by ADC to the County of Camrose in 1991.

AGRIBUSINESS

Agriculture is more than grain, livestock and dairy producers. As Alberta develops its processing and refining capabilities, more agricultural and food businesses beyond the farm gate look to ADC for the financial resources and expertise to develop or expand their business.

The corporation has a total agribusiness portfolio of 92 accounts for $32 million. In the fiscal year, the number of accounts rose to 92 from 73.

Alberta produces almost 60 per cent of the barley grown in Canada, and demand is growing. Westcan Malting is building a new $50 million malt barley processing plant in Alix, Alberta, thanks in part to ADC agribusiness financing. With a 120,000 tonne capacity, it will be a world scale barley processing plant. As well as generating new direct and spinoff employment, the plant will encourage farmers in the area to produce more high-quality barley for processing into malt for overseas markets.

ADC was also involved in a unique, shared-risk funding arrangement with private lenders for the expansion of Lakeside Farm Industries (LFI), a beef slaughtering and packing plant located in Brooks, Alberta. The complex financing package, put together by ADC, enabled the plant to markedly increase its slaughter capacity and add processing and boxing capabilities. After this expansion, LFI will be the largest slaughter and fabrication plant in Canada.

Staying Ahead

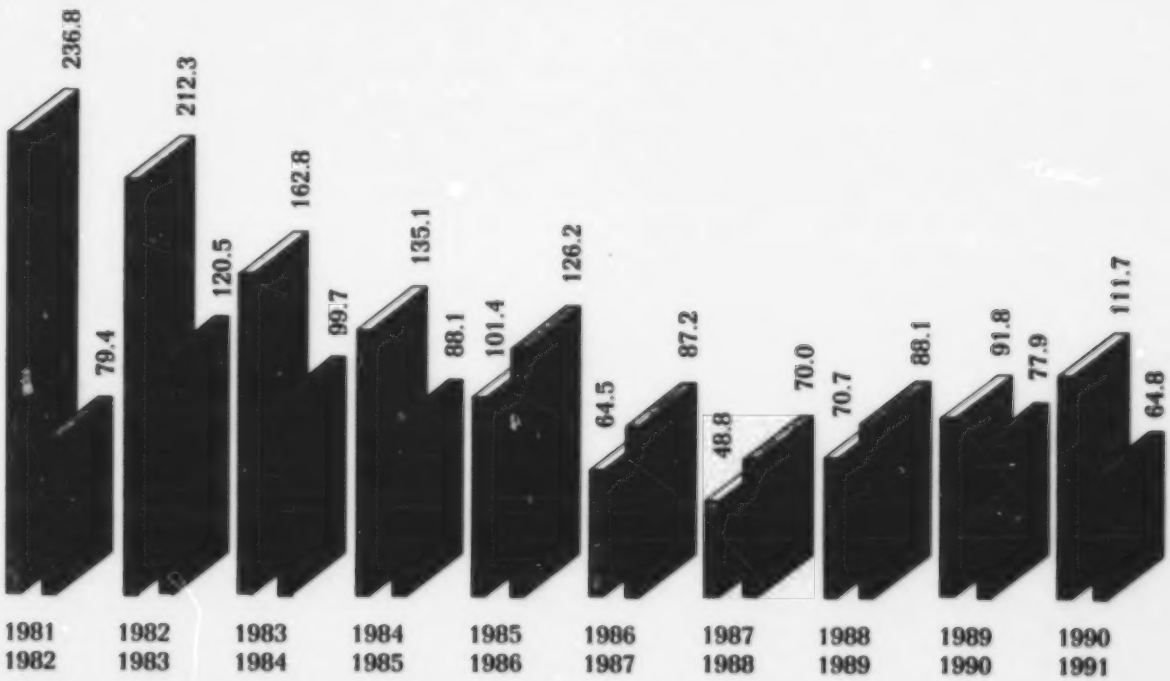
The immediate future for ADC is to concentrate on our five key objectives, deepening our efforts and building on our strengths. We will continue cost control efforts, essentially doing more with less. I am confident that ADC can rise to the challenge that these efforts will present, and that our contributions will add value to agriculture in Alberta.

Bob Splane
President and Managing Director

ADC LENDING ACTIVITY

A 10 Year Comparison

$ Millions



Direct Loans

Guaranteed Loans

SUMMARY OF LENDING ACTIVITY

By Major Client Group and Type of Assistance for the year ended March 31, 1991

	1990/91		1989/90		Accumulated Authorizations June '72 - March '91		Active and Outstanding March 31, 1991	
	No.	$Mil	No.	$Mil	No.	$Mil	No.	$Mil
FARM								
DIRECT LOANS								
Beginning Farmer	1,051	80.3	1,021	83.5	10,867	1,243.2	8,108	813.1
Developing Farmer	5	0.3	21	1.6	119	11.0	105	9.1
Northwest Disaster	152	4.7	20	0.5	189	5.2	189	5.2
Western Disaster	177	6.3	–	–	177	6.3	158	4.4
Southeastern Disaster	114	9.1	–	–	114	9.1	56	0.7
Other	–	–	–	–	5,284	278.6	2,078	107.8
Subtotal	**1,499**	**100.7**	**1,062**	**85.6**	**16,750**	**1,553.4**	**10,694**	**940.3**
Specific Guaranteed Loans	1	0.4	3	0.4	1,936	85.6	58	4.4
Alberta Farm Development Loans	3,960	58.9	5,704	75.1	125,522	1,345.8	12,287	111.7
Farm Development Guaranteed Loans	–	–	28	1.1	431	17.4	18	0.6
Vendor Mortgage Loans	19	1.4	–	–	19	1.4	14	0.3
Implemented Guaranteed Loans	–	–	–	–	–	–	140	4.2
Subtotal	**5,479**	**161.4**	**6,797**	**162.2**	**144,658**	**3,003.6**	**23,211**	**1,061.5**
COMMERCIAL								
Direct Loans	27	11.0	22	6.2	195	93.2	61	11.6
Specific Guaranteed Loans	14	4.1	8	1.3	458	191.4	23	3.9
Implemented Guaranteed Loans	–	–	–	–	–	–	6	1.4
Total	**5,520**	**176.5**	**6,827**	**169.7**	**145,311**	**3,288.2**	**23,301**	**1,078.4**

DIRECT FARM LOAN PORTFOLIO

Active and Outstanding Distribution Analysis as at March 31, 1991

	Beginning Farmer Program		Developing Farmer Program		Other		Total	
	No.	$Mil	No.	$Mil	No.	$Mil	No.	$Mil
BY REGION:								
Lethbridge	1,433	$175.0	19	$2.3	448	$26.3	1,900	$203.6
Airdrie	1,238	131.0	20	2.4	319	17.5	1,577	150.9
Red Deer	1,751	176.0	11	0.8	537	24.8	2,299	201.6
Vermilion	1,572	141.5	27	1.9	306	16.2	1,905	159.6
Barrhead	984	88.7	13	0.7	341	14.6	1,338	104.0
Fairview	1,130	100.9	15	1.0	530	18.7	1,675	120.6
Total	8,108	$813.1	105	$9.1	2,481	$118.1	10,694	$940.3

DIRECT FARM LOAN AUTHORIZATIONS

	1990/91		1989/90	
	No.	$Mil	No.	$Mil
BY REGION:				
Lethbridge	209	20.0	159	$15.8
Airdrie	191	16.6	149	14.0
Red Deer	375	23.7	217	18.0
Vermilion	265	18.5	234	18.5
Barrhead	168	10.7	154	10.7
Fairview	291	11.2	149	8.6
Total	1,499	100.7	1,062	$85.6
BY PURPOSE:				
Land	458	57.0	499	$65.1
Equipment & Livestock	234	9.7	202	7.7
Financial Restructuring	456	24.6	21	0.9
Buildings	85	4.5	85	3.4
Other	266	4.9	255	8.5
Total	1,499	100.7	1,062	$85.6

GUARANTEED FARM LOAN AUTHORIZATIONS

Distribution Analysis for the years ended March 31, 1991 and 1990

	1990/91		1989/90	
	No.	$Mil	No.	$Mil
BY REGION:				
Lethbridge	681	13.7	977	$17.7
Airdrie	293	4.9	496	7.1
Red Deer	769	12.0	1,119	15.2
Vermilion	851	10.6	1,203	12.8
Barrhead	845	11.7	1,157	13.9
Fairview	541	7.8	783	9.9
Total	**3,980**	**60.7**	**5,735**	**$76.6**
BY PURPOSE:				
Equipment/Livestock	2,873	35.2	4,271	$48.6
Operating	586	15.0	792	18.7
Land & Development	237	5.0	275	2.3
Buildings	172	3.6	264	4.9
Other	112	1.9	133	2.1
Total	**3,980**	**60.7**	**5,735**	**$76.6**

PROGRAM INCENTIVES EARNED

Distribution Analysis (including accruals) for the years ended March 31, 1991 and 1990

	1990/91		1989/90	
	No.	$(000's)	No.	$(000's)
BY REGION:				
Lethbridge	824	2,032	804	$2,160
Airdrie	717	1,648	682	1,657
Red Deer	967	1,924	943	1,957
Vermilion	1,017	1,666	960	1,714
Barrhead	804	1,291	793	1,302
Fairview	782	1,197	860	1,432
Total	**5,111**	**9,758**	**5,042**	**$10,222**
BY PURPOSE:				
Beginning Farmer	4,176	9,212	4,081	$9,687
Range/Soil Improvement	677	289	786	338
Sheep Incentive	225	157	161	133
Vegetable Storage	24	80	12	30
Disaster Loans	1	12	1	1
Death Grants	2	5	1	33
Vendor Mortgage	6	3	0	0
Total	**5,111**	**9,758**	**5,042**	**$10,222**

ALBERTA AGRICULTURAL DEVELOPMENT CORPORATION
FINANCIAL STATEMENTS
MARCH 31, 1991

AUDITOR'S REPORT

To the Board of Directors of the
Alberta Agricultural Development Corporation

I have audited the balance sheet of the Alberta Agricultural Development Corporation as at March 31, 1991 and the statements of income and deficit, and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting as described in Note 2 to the financial statements.

Donald D. Salmon

FCA
Auditor General
Edmonton, Alberta
June 17, 1991

ALBERTA AGRICULTURAL DEVELOPMENT CORPORATION

BALANCE SHEET

As At March 31, 1991	1991	1990
		(thousands of dollars)
Assets		
Cash	$ 15,248	$ 14,250
Accounts receivable	1,164	188
Guarantee implementations receivable (Note 4)	845	600
Loans and accrued interest receivable (Note 5)	934,952	912,922
Property held for sale (Note 6)	14,474	18,760
Other assets (Note 7)	250	2,250
Fixed assets (Note 8)	1,337	1,730
	$968,270	$950,700
Liabilities and deficit		
Liabilities:		
Accounts payable, Province of Alberta	$ 16,671	$ 17,588
Accounts payable, other	873	488
Guarantees payable	331	502
Allowance for losses on loan guarantees (Note 9)	1,973	2,651
Accrued incentives	4,888	4,736
Debentures payable (Note 11)	1,003,326	999,188
	1,028,062	1,025,153
Deficit (Note 3)	(59,792)	(74,453)
	$ 968,270	$ 950,700

APPROVED BY THE BOARD:

Director

Director

The accompanying notes are part of these financial statements

STATEMENT OF INCOME AND DEFICIT

For The Year Ended March 31, 1991	1991	1990
		(thousands of dollars)
Revenue:		
Interest income	$ 83,838	$ 83,889
Expenses:		
Interest expense on debentures	102,867	108,121
Farm loan incentives, Schedule 1	9,758	10,222
Operating, Schedule 1	11,533	10,609
Provision for doubtful accounts and for losses on realization of assets (Note 9)	22,701	26,189
	146,859	155,141
Operating loss	63,021	71,252
Contribution by the Province of Alberta (Note 3)	77,682	94,315
Net income for the year	14,661	23,063
Deficit at beginning of year	(74,453)	(97,516)
Deficit at end of year (Note 3)	**$(59,792)**	**$(74,453)**

STATEMENT OF CHANGES IN FINANCIAL POSITION

For The Year Ended March 31, 1991	1991	1990
		(thousands of dollars)
Operating activities:		
Operating loss	$(63,021)	$(71,252)
Items not affecting cash:		
Depreciation	763	692
Provision for doubtful accounts and for losses on realization of assets	22,701	26,189
	(39,557)	(44,371)
Proceeds from sale of properties and repayments of loans receivable	54,853	54,203
Loan disbursements	(90,842)	(82,665)
Claims paid to lenders on guaranteed loans	(1,957)	(2,733)
Investment in preferred shares	(500)	(1,000)
Net additions to fixed assets	(372)	(439)
Other	(2,447)	(1,487)
	(80,822)	(78,492)
Financing activities:		
Proceeds from issue of debentures	40,000	–
Contribution by Province of Alberta	77,682	94,315
Repayment of principal on debentures	(35,862)	(34,192)
	81,820	60,123
Increase (decrease) in cash for the year	998	(18,369)
Cash at beginning of year	14,250	32,619
Cash at end of year	**$ 15,248**	**$ 14,250**

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1991

NOTE 1 Authority

The Alberta Agricultural Development Corporation operates under the authority of the Agricultural Development Act, Chapter A-7, Revised Statutes of Alberta 1980, as amended.

NOTE 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements have been prepared in accordance with generally accepted accounting principles except that interest income is accrued on certain loans receivable that are significantly in arrears. Interest income recognized on these loans is offset by a corresponding increase in the provision for doubtful accounts and, accordingly, the Corporation's income and deficit are fairly stated. This reporting practice has been adopted because, at present, the variety and complexity of the Corporation's programs preclude, with existing resources, the removal of the interest that has been recognized on these loans from interest income.

Other significant accounting policies and reporting practices are as follows:

(a) Fixed Assets and Depreciation

Fixed assets are recorded at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Office equipment	– 10 years
Electronic data processing systems	– 5 years

(b) Property Held for Sale

Property held for sale is recorded at the lower of cost and estimated net realizable value. Cost is comprised of the balance of the loan at the date on which the Corporation obtains title to the property plus subsequent disbursements related to the property less any revenues or lease payments received and any related allowance for losses on realization.

(c) Application and Loan Fees

Application and loan fees are recorded as income when the applications and loans are approved.

(d) Provision for Losses on Loans and Guarantees

Provisions are established for specifically identified probable losses on loans and guarantees as well as for anticipated but not specifically identified losses. A specific provision is established on a loan by loan basis whereas a general provision is based on historical experience and is intended to cover losses on loans and guarantees which have not yet been specifically identified.

(e) Indexed Deferral Plan

The Indexed Deferral Plan allows for certain portions of loan balances to be deferred with repayment terms based on commodity price indices. In years where the current commodity index is greater than the 10 year average index, a portion of the deferred balance will be payable. Interest is not charged on amounts deferred under this Plan.

NOTE 3 Financial Structure

(a) The Corporation's loans are funded through the issue of debentures to the Alberta Heritage Savings Trust Fund. The Corporation's operations are funded by contributions from the General Revenue Fund of the Province of Alberta. The General Revenue Fund provides funding for the provision for doubtful accounts and for losses on realization of assets to the extent of budgeted cash requirements. At March 31, 1991, the deficit of $59,792,000 (1990-$74,453,000) is substantially the result of provisions which are not yet funded.

(b) Certain office accommodation and field support costs are provided by the Province of Alberta and accordingly these costs are not reflected in these financial statements.

NOTE 4 Guarantee Implementations Receivable

Guarantee implementations receivable are of a demand nature and consist of payments made to financial institutions for loans made by them under the Corporation's guarantee which have subsequently gone into default.

	1991	1990
	(thousands of dollars)	
Guarantee implementations receivable	$5,634	$5,425
Less: Allowance for doubtful accounts (Note 9)	4,789	4,825
	$ 845	$ 600

NOTE 5 Loans and Accrued Interest Receivable

Loans are secured by agreements for sale and by mortgages. Assuming that options to renew will be exercised when applicable, loans are repayable in instalments due as follows:

	1991	1990
	(thousands of dollars)	
Arrears of principal and interest to the payment date	$ 27,892	$ 27,993
Prepaid balances	(8,947)	(11,678)
Principal due in		
1 year	34,720	32,060
2 years	36,855	32,906
3 years	39,085	34,909
4 years	41,373	37,001
5 years	43,366	39,136
6 - 10 years	244,208	225,070
Over 10 years	454,486	476,226
Amounts deferred under the Indexed Deferral Plan (Note 2)	38,931	40,226
	951,971	933,849
Plus: Accrued interest	39,459	38,925
	991,430	972,774
Less: Allowance for doubtful accounts (Note 9)	56,478	59,852
	$934,952	$912,922

Principal outstanding includes loans related to the Disaster Assistance Program amounting to $10,337,000 which are non-interest bearing for a two or five year period and for which no principal payments are due for a two year period. The Corporation is being reimbursed by Public Safety Services for the cost of making and carrying these loans.

NOTE 6 Property Held For Sale

Properties have been acquired as a result of foreclosures, quit claims and other actions and consist mainly of land.

	1991	1990
	(thousands of dollars)	
Cost of properties	$35,789	$51,145
Allowance for losses on realization (Note 9)	21,315	32,385
Estimated net realizable value	$14,474	$18,760

NOTE 7 Other Assets

	1991	1990
	(thousands of dollars)	
Unlisted preferred shares acquired as a result of security action	$15,100	$14,600
Less: Allowance for losses on realization (Note 9)	14,850	12,350
	$ 250	$ 2,250

NOTE 8 Fixed Assets

Fixed assets consist of the following:

	Cost	Accumulated Depreciation	Net Book Value 1991	Net Book Value 1990
		(thousands of dollars)		
Office equipment	$ 279	$ 185	$ 94	$ 114
Electronic data processing systems	4,064	2,821	1,243	1,616
	$4,343	$3,006	$1,337	$1,730

NOTE 9 Allowance for Doubtful Accounts and for Losses on Realization of Assets

	Loans	Guarantee Implementations	Property for Sale	Other Assets	Loan Guarantees	Total
			(thousands of dollars)			
Allowance at beginning of year	$59,852	$ 4,825	$32,385	$12,350	$2,651	$112,063
Transfers to property for sale	(15,960)	–	15,960	–	–	–
Provision	16,800	1,184	2,895	2,500	(678)	22,701
Write offs	(4,214)	(1,220)	(29,925)	–	–	(35,359)
Allowance at end of year	$56,478	$4,789	$21,315	$14,850	$1,973	$ 99,405

NOTE 10 Lambco

Pursuant to an agreement between Lamb Processors Co-op Ltd. (Lambco), the Province of Alberta and the Corporation, the Corporation acquired the net assets and business of Lambco. The Corporation has since provided operating advances to Lambco in accordance with the agreement, all of which have been repaid. On disposal of Lambco, any disposal proceeds in excess of any operating advances to Lambco will be payable to the Province, and therefore the financial statements of Lambco are not consolidated in the financial statements of the Corporation.

Subsequent to the year end, Lambco was sold. The disposal proceeds are in excess of any operating advances to Lambco and this excess will be repaid to the Province.

NOTE 11 Debentures Payable

Debentures payable to the Province of Alberta are as follows:

Series	Year of Maturity	Weighted Average Interest Rate	March 31 Principal Outstanding 1991	1990
			(thousands of dollars)	
A	2004	9.94%	$108,080	$114,480
B	2004 - 2005	10.53	28,400	30,000
C	2005	11.33	60,000	62,400
D	2006	10.49	114,900	119,400
E	2006 - 2007	9.89	158,040	164,040
F	2007 - 2009	10.94	227,400	235,650
G	2009 - 2010	10.22	84,390	87,300
H	2010 - 2011	10.91	98,100	100,280
I	2012 - 2013	10.76	38,540	39,360
J	2009	10.83	45,476	46,278
K	2011	10.37	40,000	–
			$1,003,326	$999,188

The interest rates on debentures are fixed for five year periods and repayments are by annual principal instalments over the life of the debentures.

Principal repayments due in each of the next five years are as follows:

Year ending March 31,	1992	$30,191
	1993	41,479
	1994	43,955
	1995	47,092
	1996	48,912

NOTE 12 Contingencies and Commitments

The Corporation has the following contingencies and commitments:

	1991	1990
	(thousands of dollars)	
Loan guarantees and other contingencies	$47,677	$49,053
Less: Allowance for losses on loan guarantees (Note 9)	1,973	2,651
	$45,704	$46,402
Estimated farm loan incentives over the next five years on existing loans	$26,626	$26,373
Approved, undisbursed loans	43,824	17,082
Total commitments	$70,450	$43,455

The Province of Alberta indemnifies the Corporation for any losses which might be incurred on loan guarantees.

NOTE 13 Comparative Figures

The 1990 figures have been reclassified where necessary to conform to 1991 presentation.

SCHEDULE 1

Schedule Of Farm Loan Incentives and Operating Expenses

For The Year Ended March 31, 1991	1991	1990
		(thousands of dollars)
FARM LOAN INCENTIVES		
Beginning farmer program	$9,212	$9,687
Alberta farm development loan programs:		
Range and soil improvement program	289	338
Sheep producers incentive program	157	133
Vegetable and potato storage program	80	30
Other	20	34
	$ 9,758	$10,222
OPERATING EXPENSES		
Salaries and wages	$ 7,474	$ 7,028
Employee benefits	1,020	927
Depreciation	763	692
Travel	656	664
Data processing	527	437
Legal	169	98
Equipment rental and repair	139	155
Stationery and office supplies	134	130
Professional fees	133	16
Directors' fees	128	143
Telecommunications	120	117
Postage, freight and express	73	59
Meetings and conferences	67	37
Printing and binding	58	41
Advertising	48	30
Equipment purchases	24	35
	$11,533	$10,609